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Review of progress in the implementation of the Buenos Aires Plan of Action and the new directions strategy for technical cooperation among developing countries

Summary

The present report is submitted in response to decision 13/1 of the thirteenth session of the High-level Committee on South-South Cooperation, in 2003. It looks at progress during the 2003-2004 biennium in implementing the Buenos Aires Plan of Action and the new directions strategy for technical cooperation among developing countries. The report reviews the actions of developing countries, developed countries, intergovernmental organizations and organizations of the United Nations system.

In contrast to previous bienniums, substantial information on South-South cooperation has been generated and is accessible via the Internet. The report notes the increasing role and importance of developing countries in driving world trade and growth and the resulting expansion of South-South cooperation. It indicates that while a new trade geography may have emerged, there are serious problems facing many developing countries, especially in Africa and those that are least developed, landlocked or small islands.

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I. Introduction

1. South-South cooperation (SSC) moved into the mainstream of national and regional policies in the 2003-2004 biennium because of a broad trend towards regional integration. At present, there are over 210 regional integration agreements in force, covering about half of world trade. Developing countries account for about 40 per cent of existing arrangements. An important reason for this is the recognition by small and large developing countries alike that they need regional solidarity in facing a world of unequal players.

2. During 2003-2004, the New Partnership for Africa's Development (NEPAD) afforded SSC greater prominence in economic affairs, political governance and social policy. In Latin America, regional integration was credited with contributing to the recovery from the deep slump suffered by the region's major economies in 2001-2002. In Asia, intraregional trade grew to nearly half of the region's overall trade, and SSC made significant advances in every subregion despite long-standing political obstacles.

3. The value of SSC has become increasingly evident because of new research and analysis. The United Nations Conference on Trade and Development (UNCTAD), in its 2003 report "Assessing South-South regional integration", provided a cogent analysis of the factors behind the new geography of SSC. During the biennium, important studies on SSC were also released by the World Trade Organization (WTO), the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP).[1]

4. The trade of developing countries has risen from 20 to 30 per cent of the world total in the last two decades and intra-South trade is now growing faster than trade with developed countries. Over 40 per cent of developing-country exports go to other developing countries. The share of manufactures in developing-country exports is now some 70 per cent ($1,300 billion in 2000), up from 20 per cent ($115 billion) in 1980. In 2003, the United States of America for the first time imported more goods from developing countries than from developed countries. Developing countries now account for nearly half of the exports of Japan, over 40 per cent of the United States of America and one third of the European Union. This new strength undoubtedly helped developing countries to conclude the WTO framework agreement on agricultural trade in 2004 that aims at the reduction or elimination of all forms of agricultural subsidies by major developed countries.

5. Of the global total of $560 billion in foreign direct investment (FDI) flows in 2003, developing countries attracted $172 billion, a 9 per cent increase over the 2002 level. China became the world's top destination for FDI in 2003, overtaking the United States of America, the traditional leader. A large share of the FDI of China is from the remittances of expatriates. Developing countries also continued to emerge as international investors. From 2001 to 2003, FDI flows from Asian countries averaged $37 billion per year; the outflow from Latin America and the Caribbean averaged $10 billion ($11 billion in 2003). Much of this outflow went to other developing countries; in Asia, two fifths of the outflow occurred between countries of the South. However, developed countries still dominated world investment flows, accounting for 90 per cent of the total in 2003.

6. Triangular cooperation reached a major turning point in 2004 as a number of developed countries brought together by the United Nations Development

Programme (UNDP) and the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) initiated closer working relations with southern countries that provide development assistance to poorer countries in the South. Many of the South-South initiatives mentioned in the present report have strong support from developed countries.

7. Market-based globalization has added to the importance of SSC: if developing countries are to engage advantageously with international markets characterized by multiple levels of coordination and cooperation among the developed countries, they must create their own shared capacity to address shared interests, challenges and needs. The scope of SSC has also expanded. The Marrakech Declaration of the Group of 77 and China called on developing countries to enhance cooperation among themselves in all areas of relations.

8. A number of intergovernmental meetings strengthened SSC during the biennium. They were: the Thirteenth Summit of the Non-Aligned Movement (February 2003); the first and second Asian-African Subregional Organizations Conference (July 2003 and August 2004); the first International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation (August 2003); and the eleventh United Nations Conference on Trade and Development (June 2004). The Group of 77 and China convened a high-level conference on South-South cooperation (December 2003), a special ministerial meeting to commemorate the Group's fortieth anniversary (June 2004) and a high-level forum on trade and investment (December 2004). In March 2004, the World Bank organized its first ever conference to share SSC experiences and disseminate best practices.[2]

9. The present report is based on information drawn from the regular activities of the Special Unit for South-South Cooperation, responses to questionnaires sent to Governments and relevant organizations, published reports, interviews and key word searches on the Internet. It presents an illustrative but not an exhaustive account of South-South activities during the biennium.

II. Developing countries

10. Emergency relief was an aspect of SSC that came into the limelight in 2004, reflecting the development of new capacities in developing countries. Examples include assistance provided to Mali, Mauritania, the Niger and Senegal by Algeria, the Libyan Arab Jamahiriya and Tunisia as the first responders to locust swarms in the summer of 2004 and the Indian assistance to Maldives and Sri Lanka following the December 2004 tsunami.

11. A number of UNDP field offices have reported local interest in SSC for relief activities. In the Islamic Republic of Iran, the UNDP country office organized a regional seminar in 2004 to disseminate the lessons learned from relief activities following the devastating 2003 earthquake in that country.

12. The Special Unit responded to this new trend by making the Voluntary Trust Fund for the Promotion of South-South Cooperation available to public- and private-sector partners wishing to contribute to reconstruction efforts in the

aftermath of the recent tsunami and other disasters. To date, contributions totalling $3 million have come from China, Tunisia and a private company in Brazil.

A. Africa

13. Regional cooperation and integration — actual, proposed and visionary — are more prominently on the agenda in Africa than in any other region. They are discussed at annual summit meetings of the African Union with its continent-spanning membership. A significant development was the first meeting of the Pan-African Parliament in Ethiopia in March 2004. Created as an organ of the African Union, the body is open to all 53 countries of the organization.

14. According to the 2004 report of ECA "Assessing regional integration in Africa", the continent's 14 subregional integration efforts have a mixed record of performance. ECA reported that, among the economic communities making considerable progress, members of the Economic Community of West African States (ECOWAS), for instance, have eliminated all tariffs on unprocessed goods from fellow members.

15. Much of the current planning for increased cooperation is conducted under the auspices of the African Union and NEPAD. Twenty top-priority infrastructure action programmes have been agreed, covering facilitation studies, investment projects (in the areas of energy, transport, water and sanitation, and information and communication technologies) and capacity-building projects. The total cost of infrastructure development projects over the short term has been estimated at $8.12 billion, half of it to be financed by the private sector.

16. *Trade*. By the broadest measure of regional interaction, trade, the performance of Africa is low. In 2003, intraregional merchandise trade represented 11 per cent of total trade, the lowest percentage in the developing world.

17. *Finance*. Of the more than 20 stock markets in Africa, most are undercapitalized and often ill-equipped to handle cross-border transactions. Only the Johannesburg Stock Exchange — the largest in Africa with $180 billion in capitalization — and the regional bourse of eight francophone States in West Africa actively facilitate foreign investment.

18. *Transport infrastructure*. African roads, railways and air transport links, where they exist, are often of low quality, while governmental rules and regulations further slow the flow of goods and people within countries and across national borders. All this imposes heavy costs on trade. Under NEPAD, regional land and air transport networks and transport corridors are being established to expedite the movement of goods and people.

19. *Peer Review Mechanism*. A particularly important South-South aspect of NEPAD is its African Peer Review Mechanism, which is to be used to assess, monitor and promote political, economic and corporate governance and the observance of human rights norms. Since the review process was begun in Ghana in May 2004, support missions have gone to Kenya, Mauritius, Rwanda and Uganda. The number of member countries volunteering to be members of the peer review mechanism has grown from the original 16 to 23, demonstrating the willingness of African nations to improve in key governance and socio-economic areas.

20. Although regional integration in Africa was slower than expected, there was notable progress in several areas during the biennium. The West African Economic and Monetary Union and the Common Market for Eastern and Southern Africa made advances in trade liberalization and facilitation. ECOWAS and the East African Community eased the trans-border movements of people by issuing regional passports. Negotiations during 2003 and 2004 resulted in the signing of a treaty establishing a customs union among East African Community members in January 2005. The Southern African Development Community (SADC) continued building a regional power grid and infrastructure for regional development corridors. The African Union, ECOWAS and SADC played leading roles in peace and security.

B. Asia

21. Support for SSC also grew in Asia in 2003 and 2004. The Asian Cooperation Dialogue (ACD), launched by Thailand in 2002, has as its ultimate goal the creation of an "Asian Community" encompassing the entire continent. Its membership stood at 25 in 2004. In that year, ACD ministers meeting at Qingdao, China, agreed on 13 areas for priority action, including 11 specific initiatives on energy.

22. Regional cooperation has the best track record in South-East Asia, where it has been driven by a combination of treaty-based action by Governments and market-oriented action by corporations. Mainly because of the close economic linkages between East and South-East Asia, the intraregional trade of Asia now accounts for more than half its overall trade.

23. The 1997 Asian financial crisis, which was precipitated by the flight of short-term capital from South-East Asia, energized SSC aimed at reducing regional vulnerabilities in a region where members of the Association of Southeast Asian Nations (ASEAN)+3 have close to 20 per cent of world savings.[3] In June 2003, ASEAN+3 agreed to harmonize financial policies and standards, regulatory systems and tax treatments. A ministerial meeting in June 2003 in Thailand launched the billion-dollar Asian Bond Fund, which by the end of 2004 was fully invested in United States dollar-denominated bonds issued in China, Indonesia, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand. The participating countries are now studying the feasibility of a pan-Asian bond index fund and a fund of bond funds, providing a convenient, cost-effective, diversified instrument for regional and global investors.

24. Other cooperative steps to address Asia's massive problems of poverty (two thirds of the world's poor live in the region) and huge needs for infrastructural development are in progress across the continent. The biennium saw significant movement in the ESCAP framework to set standards and complete the pan-Asian highway and railway networks. For instance, in April 2003, an agreement was signed to carry forward work on the pan-Asian highway; the roads of 32 countries are already linked by the project. When completed, the system will ease the problems of landlocked Central Asia and facilitate travel to capital cities, major harbours, tourist attractions and industrial and commercial centres.

25. In October 2003, the 10-member ASEAN signed a watershed agreement to establish an economic community by 2020. China and India became the first countries outside ASEAN to accede to the group's founding Treaty of Amity and Cooperation in South-East Asia, which renounces the use of force. The two

countries and Japan also signed separate agreements with ASEAN to reduce trade barriers, with a view to establishing a free trade area that will cover Asia's largest economies and most of its people.

26. An agreement establishing the South Asian Free Trade Area was signed at a summit meeting of the seven-member South Asian Association for Regional Cooperation (SAARC) in January 2004. SAARC leaders also signed a social charter for the subregion and an additional protocol on the financing of terrorism and confirmed the creation of a SAARC health surveillance centre and a rapid deployment health response system.

27. Conferences of the Boao Forum for Asia, a non-governmental, not-for-profit international organization established in February 2001, have become important venues for Asian as well as other Governments and business leaders to discuss issues of common concern and to agree on mutually beneficial strategies for action. In the aftermath of the tsunami of 26 December 2004 that affected 14 Asian countries, the 2005 Forum has taken on even greater significance.

28. At a Ministerial Meeting in Thailand in February 2004, Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand agreed to create a free trade zone by 2017. India agreed to conduct a feasibility study for a deep-sea port in Myanmar to serve as a transportation hub between South and South-East Asia.

29. Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, constituting the Central Asian Cooperation Organization, agreed on a range of common economic, humanitarian and security objectives at a summit in July 2003. The six-member Gulf Cooperation Council initiated a customs union on 1 January 2003 after 15 years of negotiations.

C. Latin America and the Caribbean

30. South-South cooperation in Latin America took a significant step forward in 2004 with the signing of an agreement constituting the South American Community of Nations (SACN). Meeting in Cuzco in December 2004, leaders of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela (Bolivarian Republic of) agreed to strengthen the region as a differentiated, dynamic factor in its foreign relations; deepen in a free-trade area the convergence of the Common Market of the South (MERCOSUR), the Andean Community and Chile; and advance towards greater economic, social and institutional integration. The Governments of Guyana and Suriname (members of the Caribbean Community) will collaborate in the process.

31. The South American Community of Nations, with 361 million people and a collective gross domestic product of $1 trillion, is being envisaged as a great decentralized development programme that will grow around a number of major "integration and development hubs".[4] This vision has already reached the blueprint stage through the Initiative for the Integration of Regional Infrastructure in South America, the programme to develop South American infrastructure, which has completed the planning and design of 10 major integration and development hubs. Each will have 32 anchor projects budgeted at $4.2 billion over a five-year period.

32. South-South trade was a significant factor in export growth in the region. Brazil led the region with a growth rate of 21 per cent in exports, helped by strong demand from Argentina and China, its second and third largest markets.

33. The Latin America and Caribbean region has been committed to globalization for 15 years, and its various Governments have been resolute in opening up their economies while seeking greater stability, export growth and diversification and increased FDI. Lack of growth from such policies and deepening inequalities within and among countries have brought Governments back from the laissez-faire approach of the last decade that emphasized the free play of market forces. There is now a regional consensus on the need for Governments to set the framework for market forces and for firm social policies to match economic decision-making.

34. *Intraregional trade*. Intra-Latin American trade represented only 15.4 per cent of its total trade in 2003, as against 48.9 per cent for Asia. The difference is accounted for by the fact that in Asia, the emergence of China as a major manufacturing hub for Western transnational corporations has led them to create supply and production chains spanning the region. The same has not happened when manufacturing industries have moved into Latin America; supply lines have tended to run North-South (for example, the material used in export-oriented apparel manufacturing is usually of American provenance).

35. *Central America*. During the period 2003-2004, a new hub for South-South activity was Central America, where continuing progress in conflict resolution, democracy and economic development allowed the relaunch of the regional integration process that had collapsed in 1969. The Presidents of Central American countries have pledged to press ahead in creating their own customs union. Ninety-two per cent of tariff lines have been harmonized, a treaty on investment and services has been signed and a mechanism for dispute settlement has been implemented.

36. *Caribbean Community (CARICOM)*. In 2003, the 15-member CARICOM welcomed its first francophone member, Haiti. In advance of the CARICOM Single Market and Economy projected for 2005, the leaders declared that, effective 1 August 2003, there would be free movement of graduates, media workers, musicians, entertainers and sports men and women to work across the region. Free movement for capital and for business entrepreneurs and their managerial, technical and supervisory staff as well as immediate family was also promised. The summit mandated an expert group to study options for governance to deepen the integration process.

D. Pivotal countries

37. As is evident from the foregoing examples, the number of developing countries that play a pivotal role in SSC now far exceeds the 23 originally identified by the Special Unit in 1997.[5] However, some continue to be more active than others. Brazil, China, Cuba, India and Qatar were among the most prominent advocates of SSC during the 2003-2004 biennium.

38. Brazil has been a leader in SSC with Africa and Asia, as well as within Latin America. It has one of the most vital programmes for supporting other developing

countries in the areas of public administration, health, education, agriculture, environment, energy and small enterprises.

39. China, a significant market for developing-country exports of commodities, has signed a wide range of trade and development agreements, especially in the energy sector. India too is emerging as a global market force, especially in the information technology industry. Both countries have strong programmes that provide training for nationals of other developing countries and support for building institutional capacity, and both commit substantial funding for such projects. In its response to the Special Unit questionnaire, India stated that during the period 2003-2004, it had hosted 3,193 participants from 145 countries under 192 educational and training programmes and had sent 43 experts to work on cooperation programmes in 11 countries. The cost to the Government was $14.3 million. In addition, the private sector in India is involved in extensive SSC, while the UNDP country office noted that the Confederation of Indian Industries was one of many world-class institutions in the country.

40. Cuba continued to provide a substantial number of medical personnel to African and Latin American countries during the biennium under review; about 28,000 medical personnel are operating in other developing countries. In late March 2005 the Government offered to send more medical doctors to needy countries in their fight against HIV/AIDS. It also provided the venue and leadership for the design of the framework for the implementation of the Havana Programme of Action by hosting the eleventh session of the Intergovernmental Follow-up and Coordination Committee of the Group of 77 for Economic Cooperation among Developing Countries.

41. Qatar organized the High-level Forum on Trade and Investment of the Group of 77 in December 2004 and will continue to provide leadership in SSC by hosting the Second South Summit in June 2005. Egypt, as a key player in Africa and West Asia, Indonesia, as part of ASEAN, Malaysia, as current chairman of NAM, and Nigeria, as the largest member of ECOWAS, have all been leaders of SSC. So indeed have Morocco, which in 2003 hosted the High-level Conference on South-South Cooperation for the Group of 77 and China; and Tunisia, which will host the second phase of the World Summit on the Information Society in 2005.

42. A long-standing Nigerian programme of technical assistance to other developing countries has sent 1,677 volunteers to 33 countries. Additionally, Nigeria launched a new African digital solidarity fund in March 2004 to help to implement the plan of action to be adopted at the second phase of the World Summit on the Information Society.

43. The Philippines, responding to the Special Unit questionnaire, indicated that a governmental committee coordinates South-South activities, which during the 2003-2004 biennium involved training 26 participants from six countries at an expense of $47,000.

44. Countries that have made clear their need for SSC include: 50 least developed countries highly vulnerable to external economic shocks; 45 small island developing States characterized by a set of special vulnerabilities, including isolation for some and low elevation above sea level for most; and 31 landlocked developing countries that lack access to inexpensive sea-borne trade and have inadequate infrastructure

for overland trade. Many of the examples of SSC described in previous sections cover these especially disadvantaged countries.

45. Almost every aspect of NEPAD activity has a special relevance to the 33 least developed countries in Africa. In Asia, the plans for transcontinental highway and rail networks are especially important for landlocked countries. It is important to note that special disadvantages do not prevent a country from engaging in SSC as a donor as well as a recipient; Nepal, for instance, hosts the headquarters of SAARC. Samoa, one of the countries responding to the Special Unit questionnaire, hosted 12 participants from four countries in one training programme; sent 39 participants to 31 programmes in other developing countries (mainly China, Singapore and Thailand); and established two information networks to support development with support from Malaysia. The total cost of all Samoan SSC over the biennium was $254,252.

E. Interregional cooperation

46. Growing complementarities in the capacities and needs of developing countries have led to increasing attention to the prospects for interregional SSC. For example, in December 2003 in Marrakech, the High-level Conference on South-South Cooperation adopted a Framework for Action that included a number of initiatives that would promote interregional cooperation:

(a) A UNDP-supported study on the potential for intensifying interactions between businesses in developing countries and for joint ventures in different areas;

(b) A Group of 77 and China conference on SSC in the development of physical infrastructure for development;

(c) An international seminar on food security, and measures to develop SSC on debt management;

(d) Intensified SSC for the preservation, protection and promotion of traditional knowledge, genetic resources and folklore, as well as the building of consensus and the development of legally binding international instruments on intellectual property rights regarding these issues.

47. Interregional cooperation is also growing because of increased trade. The raw material needs of the booming economy of China have led to its growing trade with Africa and Latin America; indeed, the country is now the third largest export market for Brazil.

48. One of the key developments during the biennium was a trilateral agreement among India, Brazil and South Africa (known as the IBSA initiative) to address a range of issues of common interest, including interregional shipping and air links. The countries agreed to establish an anti-poverty fund to be managed by UNDP. Brazil has been active in promoting MERCOSUR links with China, India and South Africa.

49. The current role of Indonesia in SSC continues to reflect its early involvement in the process as host of the 1955 Bandung Conference of African and Asian countries. To prepare the ground for the fiftieth anniversary of the Bandung Conference, Indonesia teamed up with South Africa to organize two meetings of subregional African and Asian organizations, one in 2003, the other in 2004. At the

latter meeting, it was agreed to establish a new Asian-African strategic partnership as an expression of the new political will of Africa and Asia to achieve a better future.

50. The South-South health-care delivery programme initiated by Cuba, the Libyan Arab Jamahiriya and Nigeria and adopted by the first South Summit in April 2000 continued to grow. Under the programme in 2004, 10 medical volunteers from the Libyan Arab Jamahiriya went to Benin for a two-year tour of duty.

F. Other South-South partners

51. *Civil society organizations*. A wide range of civil society actors is engaged in SSC, including academic institutions and networks engaged in research, advocacy groups and non-governmental organizations (NGOs) that deliver social services.

52. Among the most prominent networks in the 2003-2004 biennium were the Third World Academy of Sciences (renamed the Academy of Sciences for the Developing World but retaining its acronym, TWAS) and the Third World Network of Scientific Organizations. In 2003, the two collaborated to issue the third edition of *Profiles of Institutions for Scientific Exchange and Training in the South*, outlining the capabilities of more than 500 outstanding research institutions in the developing world. TWAS has continued to receive strong support from developing countries that have well-developed capacities in science. In 2004, Brazil, China and India announced that they would each offer 50 fellowships a year through TWAS for scientists from other developing countries.

53. During 2003 and 2004, the Third World Network (TWN) designed and implemented a project that assisted developing countries to improve their national policies and capacities to enable them to more effectively manage, participate in and contribute to the shaping of a more inclusive form of globalization. The project supported TWN activities in relation to trade and WTO issues, finance and development. It also backed developing countries in their preparation to participate in major United Nations meetings, including those of the Commission on Sustainable Development and the World Social Forum.

54. As Governments focus on governance issues under NEPAD, there is also increased attention to promoting civil-society involvement. A notable initiative in this context was witnessed in April 2004, when NGOs and civil society organizations from Djibouti, Eritrea, Ethiopia, the Sudan, Somalia and Uganda came together in a forum under the auspices of the Inter-Governmental Authority on Development (IGAD). The forum deals with the major problems facing the region, including armed conflict, severe environmental degradation, general insecurity concerning livelihoods, and increasing terrorism. Also on the agenda are such issues as high illiteracy levels, deteriorating public health and the increasing prevalence of HIV/AIDS.

55. The World Trade University, launched as a global private-public partnership at the Third United Nations Conference on the Least Developed Countries (2001), has undertaken several noteworthy programmes in collaboration with the Special Unit, including the first ever World Summit of Indigenous Entrepreneurs in 2003, attended by delegations from 39 countries, and the very first World Tourism Marketing Summit in China (2004), which brought together over 500 public- and

private-sector executives from 58 countries to enhance South-South and triangular cooperation on joint venture development.

56. *Private sector*. With outward FDI stock of $859 billion in 2002, transnational corporations from developing countries are becoming a significant factor in the world flows of FDI and other aspects of SSC. They have built their own international production systems and in some sectors are leading players. Asian corporations have led the field in investing abroad; in 2003, investments totalled $635 billion, with more than half in other developing countries. Chinese corporations have become important investors abroad; at the end of 2003, China's total stock of FDI was estimated at $37 billion. Investments have gone not only to other Asian countries but also to Africa and Latin America. FDI flows from India have risen rapidly in recent years. About half of Indian investments are in other developing countries.

57. UNCTAD reported in 2004 that the growing foreign role of southern corporations was not receiving much attention from the Governments of the South, even though this aspect of their integration into the world economy would be "a challenge that more and more of them [would] face".[6]

III. Developed countries

58. As noted above, developed countries have been strong supporters of SSC. The European Union, Japan, the Netherlands, the Nordic countries and the United States of America have all provided substantial funding for many of the initiatives mentioned earlier. More significantly, following consultations in 2004, UNDP and OECD/DAC held a meeting in February 2005 to promote greater dialogue among the world's principal providers of development assistance. Both OECD and non-OECD participants expressed interest in advancing South-South and triangular cooperation in order to improve aid efficiency and effectiveness by emphasizing ownership and inclusive partnership.

59. DAC members have been increasing support for SSC. Japan has continued its long-standing initiatives linking African and Asian business communities and its support for the New Rice for Africa project, which is now spreading the use of high-yield rice varieties bred to suit African conditions. Another significant initiative is British Prime Minister Tony Blair's Commission on Africa, established in May 2003 to recommend action by the Group of Eight to help Africa.

60. A new development during the biennium was the extension of formally budgeted support for building African peacekeeping capacity. The European Union established the African Peace Facility in November 2003, committing 250 million euros to promote African solutions to African crises by providing the African Union with the financial muscle to back up its political resolve with concrete acts. According to the European Commission, support for peacekeeping must be seen as an integral part of fostering development. In June 2004, the United States of America announced that it would seek Congressional approval of a $660 million programme that would, in concert with other members of the Group of Eight, train 75,000 Africans over five years for peace enforcement and constabulary roles and address the need for the equipment, transport and logistical support for the functioning of 10 African battalions.

61. A number of European countries have provided support for SSC through their bilateral aid programmes. For instance, Finland has supported SADC regional programmes for information and communication, forestry and gene technology. Japan has provided advisory services for the SADC secretariat; more than $300 million for mine clearance, advocacy and assistance to refugees; and additional funding to support regional programmes to build infrastructure, combat HIV/AIDS and improve food security.

IV. United Nations system

62. Throughout the United Nations system, much South-South activity is undertaken because the availability of experts from and institutions in developing countries makes it the most cost-effective option. In many cases, such as when the United Nations Environment Programme addresses cross-border environmental problems or when the World Health Organization deals with the spread of communicable diseases, cooperation among developing countries is imperative. In yet other cases involving social issues requiring consideration of cultural or attitudinal sensitivities, it is the preferred modality. Whatever the motive or form, SSC is now central to the operational activities of the United Nations system.

63. The proliferation of South-South activities of the United Nations system has made coordination important. The United Nations System Chief Executives Board for Coordination (CEB) took note of this in its 2003 overview report,[7] stating that there was "a need for the United Nations system to further enhance its collective contribution to strengthening regional capacities, particularly those of the regional economic communities, the African Union Commission and the New Partnership for Africa's Development secretariat". It added that "the regional consultative mechanism itself needs to make a renewed effort to further clarify the roles and responsibilities of the various agencies operating at the regional and subregional levels in Africa, in order to avoid duplication and ensure greater complementarity of efforts".[8] CEB will devote one of its forthcoming meetings to an in-depth review of these issues. The need for such a review is underscored by the examples noted below, which illustrate the diversity of United Nations system involvement in SSC.

64. Perhaps the bodies of the United Nations system that are the most actively and continuously involved in SSC are the regional commissions in the developing world. However, even in the regional commissions, the term "South-South cooperation" is not used to describe much relevant activity. For instance, in ESCAP, which has expanded its use of SSC, only a very specific programme element is recognized as South-South: the use of the TCDC supplementary fund to pay for the travel of individuals from least developed, landlocked and small island developing countries to train in countries offering capacity-building opportunities. ECA promotes SSC through, inter alia, business tours, the preparation of studies to guide fiscal strategies, and sponsorship of collaborative activities that have increased exchanges between African countries and China, India, Indonesia and the Republic of Korea. In support of the growing regional cooperation in Africa, it developed subregional integration projects in water management, energy, transport and communications. The Economic Commission for Latin America and the Caribbean has been actively promoting more market-oriented integration to face the challenges of globalization.

65. The regional aspect has become increasingly important in the peace and security work of the United Nations partly because of the increased competence and capacity at that level and the cost-effectiveness of regionally owned and operated initiatives. In Africa, for instance, there has been a trend towards authorizing and supporting regional action. The General Assembly has invited the international community to support the Economic Community of Central African States (ECCAS), especially in the establishment of the Council for Peace and Security in Central Africa and the Central African early warning system. The United Nations Secretariat has also consulted with ECCAS on a multinational force for Central Africa. In 2003, UNDP started a project to strengthen ECCAS capacity for regional cooperation and integration. Implemented by the International Trade Centre (ITC), the project seeks to relaunch subregional economic integration by lowering national barriers that impede trade, travel and capital movements.

66. In September 2004, the UNDP Executive Board decided to include SSC among the drivers of development effectiveness in the multi-year funding framework, thus making it a cross-cutting element in all five UNDP practice areas. A preliminary analysis of the data submitted on 139 programme countries indicates that there is a high level of emphasis on South-South approaches in 40 per cent of UNDP country programmes. In Africa, SSC is most prominent in responding to HIV/AIDS and fostering democratic governance. In the Asia and the Pacific region, it is most used in crisis prevention and recovery and in dealing with energy and the environment. In Latin America, the top areas are crisis prevention and recovery and fostering democratic governance.

67. The UNDP Regional Bureau for Arab States reported that it had sponsored 24 SSC programmes involving 12 countries and over 380 participants at a cost of $465,000. In addition, it had assigned over 50 developing-country experts to five countries in the region. Developed countries (four) and international organizations funded seven of the 24 programmes, including a particularly successful one on aid coordination that had engaged all the Arab States, Ethiopia and Zimbabwe in an exchange of information on policy and institutional reform, capacity development and transfer of technology.

68. The UNDP Regional Bureau for Europe and the Commonwealth of Independent States reported a range of activities that it described as "East-East" and that were funded by emerging donors such as the Czech Republic and by traditional donors such as Canada. Government ministries and institutions, NGOs, the private sector and academic/research institutions were engaged in a variety of programmes. At UNDP headquarters, there were 190 participants from 12 countries in 20 programmes budgeted at $500,000; at the country level, there were 40 projects in 15 countries and a budget of $2 million. Cooperation focused mainly on improved democratic governance, poverty reduction, energy and environment, and combating HIV/AIDS.

69. The responses from country offices to the Special Unit questionnaire showed very broad similarities despite differences in the frameworks within which SSC was approached. Democratic governance and poverty reduction were mentioned most often as the practice areas in which SSC came into play. The question about which type of support country offices would like from the Special Unit drew a range of responses. The form of support requested most often was help in identifying appropriate experts from the South. The need for this support was also reflected in

proposals for a network of South-South experts, databases facilitating access to available expertise and mechanisms to help to build country-office capacities. Other proposals concerned the organization of workshops to enhance the knowledge of government officials regarding SSC, the submission of South-South programme proposals to country offices, the dissemination of information on best practices, the design of a mechanism to coordinate cooperation at the country level and the formulation of a guide to successful SSC.

70. The Third Cooperation Framework (2005-2007), which covers the activities of the Special Unit, includes three significant shifts reflecting lessons drawn from the implementation of earlier frameworks: (a) a move to reinforce advocacy with effective implementation of South-South action plans; (b) a focus on the Millennium Development Goals, emphasizing the creation of an enabling environment through innovative public-private partnerships in order to play a more active role in helping to meet the priority needs of the least developed countries, small island developing States and landlocked developing countries; and (c) the transformation of the Special Unit into a more active South-South knowledge management centre, facilitating access to, inter alia, rosters of southern experts, best practices and proven southern solutions in achieving the Millennium Development Goals.

71. The Special Unit has continued to publish its journal, *Cooperation South*, and has maintained the computerized information system Web of Information for Development (WIDE), with its array of online services, including information on southern expertise and innovative development practices. WIDE has the potential to become a valuable information-sharing platform, but to achieve this goal, the level of connectedness among developing-country focal points for SSC must be increased. Of the 112 national SSC focal points currently listed on WIDE, only 18 provide website addresses and only 48 include e-mail addresses.

72. Recognizing that SSC is in the first instance regional in nature and most effective in this context, the Special Unit held extensive consultations on NEPAD in Addis Ababa and Johannesburg. It will also work to complement the South-South efforts of subregional and regional groupings such as ASEAN, CARICOM, the Gulf Cooperation Council, MERCOSUR, NEPAD and SAARC.

73. The United Nations Conference on Trade and Development (UNCTAD) continued its broad-based support for South-South trade during the 2003-2004 biennium. It produced the substantive background papers discussed at the Group of 77 and China meeting on SSC in Marrakech in December 2003. Cooperation among developing countries was a major element at the eleventh session of UNCTAD in June 2004: a secretariat report highlighting the role of SSC in shaping a new geography of international trade received a great deal of attention. A pre-conference forum highlighted the potential for trade between Brazil and India. Also, the third round of negotiations under the Global System of Trade Preferences (GSTP) among developing countries was initiated at the conference. Trade among GSTP members is already close to $2 trillion, or about 55 per cent of the international trade of all developing countries.

74. In 2003, in its first annual *World Trade Report*, the World Trade Organization (WTO) dealt prominently with the swift growth of South-South commerce between 1990 and 2001, concentrated mostly among a few countries in Asia. It noted that the growth in South-South trade was related to the significant lowering of tariff barriers over the decade and that since the barriers could be further reduced, there remained

substantial potential for expansion. Other obstacles to broad growth were high transport, insurance and communication costs; difficulties in trade financing; and insufficient marketing and distribution capacities. Lack of product diversification also created difficulties in a number of developing countries. Solutions to these issues will need to be found if opportunities for South-South trade are to be fully harnessed.

75. The International Trade Centre continued to promote South-South trade through buyer-seller meetings and the LatinPharma programme, which seeks to use the pharmaceutical production capacities of Latin America to meet regional demands. It also provides data and analyses that reveal South-South opportunities for trade. Its Personal Computer Trade Analysis System, available on CD-ROM, provides easy access to information about international trade flows and patterns, including the leading import/export markets for a specific product, the market share of a particular country and the level of competition.

76. At the end of 2003, the United Nations Industrial Development Organization (UNIDO) had 24 integrated programmes or country service frameworks in Africa, the primary focus of its technical assistance activities. Its Cleaner Production Programme, which operates through a network of centres covering 30 countries, has trained over 1,000 technicians and conducted awareness-raising seminars for 24,000 industry personnel. In January 2004, UNIDO initiated a major interregional South-South initiative when it signed a memorandum of understanding with India on a project to facilitate the transfer of technologies and expertise relating to low-cost housing to African, Asian and Latin American countries.

77. In an important South-South initiative, the World Bank convened a conference in Shanghai in May 2004 to consider how projects that had succeeded in reducing poverty in developing countries could be scaled up to levels that would help in the realization of the Millennium Development Goal of halving poverty globally by 2015. In preparation for the conference, about 100 case studies were compiled and 11 field visits were organized in eight countries. The authors of the studies and those who went on the field visits attended the conference, where practitioners from developing countries discussed what had been successful and why.

78. The results of the deliberations were instructive. The key role of leadership was reaffirmed, but not necessarily leadership of a political nature. There was consensus that if a project involved at least one truly committed person, it stood a good chance of succeeding. Willingness to try different approaches was seen as a key ingredient for success. Funding was viewed as another key factor — not necessarily its magnitude but the timing and certainty of it; financial uncertainty was generally viewed as a project killer. South-South sharing of expertise and experience was considered to have greater credibility than North-South transfers. Perhaps the most important lesson was that having a good rationale for a project was not enough to guarantee success: proper implementation was imperative. In the period after the conference, an active network of informal consultations and cooperation has been maintained, involving hundreds of practitioners around the world.

79. The International Civil Aviation Organization (ICAO) uses expertise from developing countries in its technical assistance programme whenever it is available. Its SSC activities are conducted regionally and paid for almost entirely (95 per cent) by recipient countries, which are motivated to cooperate by the existence of

common challenges and limited resources for dealing with them. Regional development banks provide some of the funding, with bilateral donors stepping in when their interests are involved. Some projects have drawn support from the European Commission, the United States Federal Aviation Administration and the private sector (Airbus Industries, the Boeing Company and General Electric). The total budget for the ICAO technical assistance programme was $105.4 million in 2003 and $124.5 million in 2004.

80. The Food and Agriculture Organization of the United Nations (FAO) promotes SSC particularly under its Special Programme for Food Security (SPFS), which deploys agricultural experts from one developing country to another. In 2004, SPFS was operational in 69 countries, emphasizing low-cost innovations and the creation of local institutional capacities to ensure food security at the community level. Experience has shown that SPFS programmes typically cost about $12,000 annually for experts and $7,200 per year for technicians, compared to $120,000 to $200,000 per year for conventional North-South technical assistance. Programme costs are shared between the participating developing countries and bilateral and multilateral donors, with the support of FAO.

81. South-South cooperation is inherent in every major programme of the United Nations Educational, Scientific and Cultural Organization (UNESCO). It is central to such UNESCO programmes as those on regional seas, education for all and man and the biosphere. For instance, the latter programme is supported by a variety of regional and subregional networks supported by UNESCO regional offices. Each of the networks focuses on information exchange on regional or subregional issues, with some also engaging in capacity-building. Networks functioning during the biennium included those in Africa, the Arab States, East Asia, Latin America, South-East Asia and South and Central Asia.

82. The formal South-South activities of the United Nations University (UNU), budgeted at $50,000 for the 2003-2004 biennium, involved two training programmes on forestry management and on appraising sustainable development. Other elements of UNU programming have strong South-South elements, including its Comparative Regional Integration Studies programme, which maintains an Internet-accessible database that covers most developing country groupings.

V. Conclusions and lessons learned

83. South-South cooperation is beginning to change the geography of international relations, particularly in the areas of trade, finance, investment and the provision of development assistance and in efforts towards regional integration. However, more credible, systematic reporting on South-South activities on the ground is needed, especially at the national, subregional and regional levels.

84. Developed countries have continued to extend valuable, effective support to SSC. It is notable that, following negotiations initiated in 2004, principal providers of development assistance came together in January 2005 to explore ways of promoting mutual understanding and closer collaboration. It is equally significant that in the joint Chairs' statement issued at the end of the meeting, OECD Development Assistance Committee members and other participants agreed that South-South and triangular cooperation can improve the efficiency and effectiveness of aid by emphasizing ownership and inclusive partnerships.[9] This opens the way

for forging triangular partnerships with the involvement of developed and middle-income countries aimed at assisting least developed countries.

85. Increasingly, trade and investment flows are expanding the role of the private sector in SSC. This broadens the scope of cooperation among developing countries as various actors engage in a great variety of activities, ranging from project-level initiatives to macroeconomic issues, which in turn calls for the formation of more robust public/private-sector partnerships in efforts to meet the Millennium Development Goals.

86. A large volume of information is generated on SSC, much of it accessible on the World Wide Web. However, there is little overall analysis of trends or consideration of possible synergies or conflicts of interest. Improved networking among the various actors would help to scale up benefits from South-South initiatives.

87. Opportunities for scaling up SSC have increased largely thanks to the development gains achieved in a number of countries; funding, however, remains a major constraint, especially among least developed countries.

88. The points referred to in the preceding five paragraphs signal the need for more attention to SSC in terms of data collection, trend analysis, policy formulation and resource mobilization. If SSC is to result in balanced, sustainable growth, its processes will need to include mechanisms for effective programme formulation and implementation at the national, regional and global levels.

89. To implement the Buenos Aires Plan of Action, Governments have appointed national focal points, but most are not active either domestically or internationally. If activated as a network, the focal points could be key players in providing Governments with a strategic overview and in overseeing the implementation of South-South programmes.

VI. Recommendations

90. South-South cooperation should be included as a formal agenda item for consideration in intergovernmental reviews of progress towards the Millennium Development Goals. To facilitate such reviews, all parts of the United Nations system should be asked to include in their relevant periodic reports to their governing bodies and to the Economic and Social Council a section on SSC in their respective areas of competence.

91. The Special Unit for South-South Cooperation should be encouraged to help to deepen South-South and triangular cooperation arrangements, nurture market-based self-sustaining mechanisms and foster innovative public-private partnerships, including with civil society organizations, NGOs and academic institutions, in order to respond more effectively to the pressing needs of the least developed and other countries in difficult development circumstances.

92. The national focal points appointed to help to implement the Buenos Aires Plan of Action should be linked electronically and augmented with other focal points in the private sector and civil society organizations. All focal points should be encouraged to establish and maintain web pages linked to the WIDE website as a

venue for sharing information on experts, best practices and proven development solutions in the South.

93. The technological tools used by UNDP to gather information on SSC in the activities supported under the multi-year funding framework should be shared with the other organizations and agencies of the United Nations development system in order to capture the South-South dimension in their work.

Notes

[1] For ECA, see "Assessing regional integration in Africa", ECA policy research report, 2004, at http://www.uneca.org/aria. For ESCAP, see "Meeting the challenges in an era of globalization by strengthening regional development cooperation", 2004, Sales No. E.04.II.F.24. For WTO, see *World Trade Report 2003*, at http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report_2003_e.pdf.

[2] Scaling up Poverty Reduction: A Global Learning Process and Conference in Shanghai, 25-27 May 2004. At http://www.worldbank.org/wbi/reducingpoverty/about.html.

[3] Asian foreign exchange reserves amounted to $2.4 trillion at the beginning of 2005, with the developing countries of the region accounting for $1.6 trillion. According to the Reuters News Agency, which cited International Monetary Fund and Morgan Stanley analysts, China, the Hong Kong Special Administrative Region, India, Japan, the Republic of Korea and Taiwan Province of China were reported to have almost $1 trillion in excess reserves, the bulk held in United States dollars. See "Asia's problem of plenty", Reuters, 18 February 2005.

[4] Secretary General of the Andean Community, Ambassador Allan Wagner Tizón. At http://www.comunidadandina.org/ingles/press/speeches.htm.

[5] For the list of original pivotal countries, see *Cooperation South*, No. 1 (1998), p. 80.

[6] UNCTAD *World Investment Report 2004: The Shift Towards Services*, at http://www.unctad.org/en/docs//wir2004_en.pdf.

[7] E/2004/67, para. 33.

[8] Ibid.

[9] See http://www.oecd.org/document/49/0,2340,en_2649_33721_34060145_1_1_1_1,00.html.